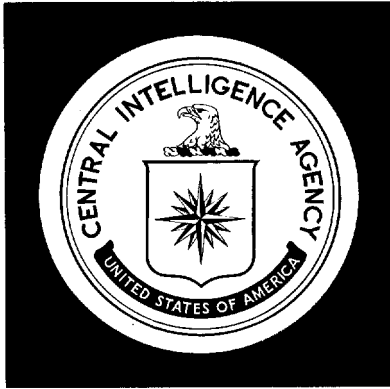


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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

Secret

Nº 42

30 June 1972

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Approved For Release 2003/06/25 : CIA-RDP79T00975A022200070001-7

Approved For Release 2003/06/25 : CIA-RDP79T00975A022200070001-7

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WEST GERMANY - FRANCE: The EC summit and monetary policies will be principal topics in talks between Chancellor Brandt and President Pompidou on 3-4 July in Bonn.

Foreign Ministers Scheel and Schumann on 23 June sought common ground on as many issues as possible in an effort to smooth the way for the semi-annual Brandt-Pompidou session. With national elections approaching in both West Germany and France, Brandt and Pompidou have an interest in a successful meeting of the six present and four incoming members of the EC. The West Germans and French now appear willing to postpone a decision on an issue that has been clouding summit prospects--the creation of an EC political secretariat. Scheel and Schumann also coordinated policies on preparations for the Conference on Security and Cooperation in Europe and on the inter-German talks.

Brandt and Pompidou may have more difficulty reaching an understanding on how to deal with problems generated by the weakness of the dollar in European money markets and the British decision to float the pound. Schumann advanced the French desire for greater coordination and the urgent need for a European monetary union as a way of preserving European identity against the encroachment of American economic power. Brandt also hopes to focus on West European economic integration, in part to offset criticism that he has been too preoccupied with Ostpolitik, but he is likely to resist French demands for the creation of a European monetary zone and insist that any agreement on monetary matters not be at the expense of US-EC relations.

Some of the German-French differences in the monetary field, however, probably have been narrowed by a cabinet decision in Bonn on 29 June. In a

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significant move toward instituting monetary controls--a point long insisted on by France--measures were announced to tighten controls over the inflow of capital by placing restrictions on the sale of German securities to foreigners and the purchase of foreign capital by German businessmen. [REDACTED]

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SOUTH VIETNAM: The government's counter-offensive into Quang Tri Province is encountering only moderate resistance. Two South Vietnamese Marine brigades have advanced from the My Chanh defense line to a point northeast of Quang Tri City. In addition, two marine battalions have been lifted by helicopter into positions east of the city. The airborne units operating west of Route 1 have made less progress, but they reportedly have killed several hundred troops. Communist units have often been slow in reacting to South Vietnamese offensive thrusts, but once they have determined the best way to counter the current drive, it seems likely that enemy resistance will stiffen. In spite of heavy losses in recent months, the Communists still have a substantial force of infantry troops, along with artillery and armor, in the area. [REDACTED]

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SINGAPORE: The government has decided to peg its currency to the US dollar rather than sterling in order to protect itself against higher import costs resulting from the UK's de facto devaluation of the pound. Singapore's imports of heavy machinery have been increasing rapidly to support its industrialization program, and this trend probably will continue for some time. If the US dollar does not weaken significantly, Singapore will realize substantial savings from this measure. The government is required by an agreement with the UK to hold at least 36 percent of its reserves in sterling. For several months, however, it has been reducing these holdings and probably will seek to abrogate the UK agreement in order to reduce them even further. [REDACTED]

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WEST GERMANY: Bonn's trade performance in May is further evidence that West Germany is recovering from the economic doldrums of late 1971. Exports were up 14 percent from May of last year, and imports rose 15 percent. The export surplus for last month exceeded US\$400 million, up slightly from a year earlier. Although the upward trend in exports largely reflects orders placed some time ago, the recent rise in new export orders is an encouraging sign to the business leaders that Germany's competitive position was not as seriously hurt by last year's revaluation as they initially feared. Because prices in some key foreign countries are rising faster than in Germany, German industry should regain much of its competitive edge. With economic growth in Germany's major trading partners accelerating, export demand now will provide a greater stimulus for the domestic economy than West German officials had anticipated earlier.

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NATIONAL INTELLIGENCE ESTIMATES

The United States Intelligence Board has approved the following national intelligence estimates:

NIE 28-72 "Prospects and Problems in
NATO's Northern Region"

[REDACTED]

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[REDACTED]

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NIE 94-72 "Chile: The Alternatives
Facing the Allende Regime"

[REDACTED]

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